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MONICA R. BORNE
JEFFREY T. GREENBERG
Of Counsel

March 13, 1998

Honorable Charles W. Ballentine
Executive Director
South Carolina Public Service Comm.
P.O. Drawer 11649
Columbia, South Carolina 29211



Re: State Communications, Inc.

Dear Director Ballentine:

Enclosed herewith for filing please find an original and twenty (20) copies of the **Application of State Communications, Inc.** for a Certificate of Public Convenience and Necessity to provide local and long distance resold telecommunications services within the State of South Carolina.

Please acknowledge receipt of this filing by date stamping and returning the additional copy of this letter in the self-addressed envelope provided.

A copy of this application has been forwarded to the Consumer Advocate at 2801 Devine Street, P.O. Box 5757, Columbia, SC 29250-5757.

The Company realizes that it will be necessary to retain local counsel for any appearances before the Commission.

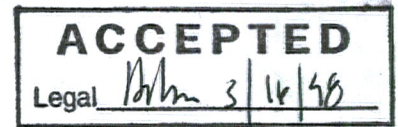
If you should have any questions regarding the enclosed documents, please do not hesitate to call.

Sincerely,

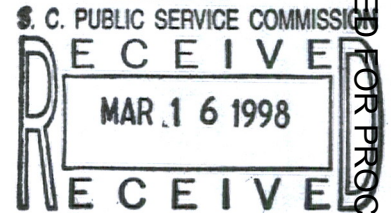
Leon L. Nowalsky

LLN/sg
Enclosures
cc: Consumer Advocate

POSTED
MR 3-12-98



STATE OF SOUTH CAROLINA
Before the
SOUTH CAROLINA PUBLIC SERVICE COMMISSION



In Re:

APPLICATION OF STATE COMMUNICATIONS,)
INC. FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO PROVIDE)
BOTH LOCAL EXCHANGE AND LONG DISTANCE)
TELECOMMUNICATIONS SERVICES)

No. 98-129-C



APPLICATION OF STATE COMMUNICATIONS, INC.
FOR AUTHORITY TO PROVIDE BOTH LOCAL EXCHANGE
AND LONG DISTANCE SERVICE

State Communications, Inc. ("State" or "Applicant"), pursuant to S.C. Code Ann. § 56-9-280(B)¹ and Section 253 of the Telecommunications Act of 1996², respectfully submits this application for Authority to Provide both Local Exchange and Long Distance Service ("Application") in the State of South Carolina.

Applicant intends to offer service to customers throughout the state. Should its Application be granted, Applicant plans to commence offering service immediately upon the execution of the appropriate and necessary resale agreements with the incumbent Local Exchange Carriers ("LECs") and the Interexchange Carriers. Approval of this Application will be beneficial to the public interest by increasing the level of competition in the South Carolina telecommunications market. Ultimately, competition will compel all telecommunications service providers (local and long distance) to operate

¹As amended by Act No. 354, signed by the Governor on June 6, 1996.

²Telecommunications Act of 1996, 47 U.S.C § 253 (1996)

more efficiently and pass on the resultant cost savings to consumers. In addition, as a result of competition, the overall quality of local exchange and long distance service will improve.

In support of its Application, Applicant states as follows:

I. Introduction

1. The name and address of the Applicant are:

State Communications, Inc.
200 North Main St., Suite 303
Greenville, South Carolina 29601
(864) 271-6335

2. All correspondence, notices, inquiries and other communications regarding this Application should be directed to:

Leon L. Nowalsky
Nowalsky, Bronston & Gothard, L.L.P.
3500 N. Causeway Blvd., Suite 1442
Metairie, LA 70002
Telephone: (504) 832-1984
Facsimile: (504) 831-0892

3. In support of this Application, the following exhibits are attached hereto:
- a. Tab I State's Board of Directors and major shareholders
 - b. Tab II State's Articles of Incorporation filed with the Secretary of State for the State of South Carolina
 - c. Tab III State's Financial Information³
 - d. Tab IV State's technical capabilities

³State was recently organized for the purpose of providing both local and long distance service and, as a result, does not have substantial financial assets. However, the major shareholder's of State intend to provide the resources necessary to sustain the operations of State until State begins generating sufficient positive operating cash flow.

II. Description of the Applicant

1. General Information

a. State is a telecommunications company that has been organized to provide competitive local and long distance services to customers. State is headquartered in Greenville, South Carolina. State's Network Control Center and Customer Service Department will be located in Greenville, South Carolina.

b. State intends to provide resold competitive local and long distance services throughout the BellSouth region and has commenced filing applications and negotiating resale agreements with the various incumbent local exchange carriers throughout the southeastern United States.

c. State is a South Carolina corporation and is in good standing with the South Carolina Secretary of State.

2. Customer Service

a. State's customer service representatives will be available to assist customers 24 hours a day, seven days per week. Customers can reach State's Customer Service by calling (800) 249-2735 and this toll free number is printed on customers' monthly billing statements. Customers wishing to communicate with a State customer service representative in writing may send written correspondence to:

State Communications, Inc.
Attn: Customer Service
200 North Main St., Suite 303
Greenville, South Carolina 29601

b. State's customer service representatives are prepared to respond to a broad

range of service matters, including: (1) the types of services offered by State and the rates associated with such services; (2) monthly billing statements; (3) problems or concerns pertaining to a customer's current service, and (4) general telecommunications matters.

III. State Possesses the Technical, Managerial and Financial Expertise Necessary to Provide Local Exchange Service

The management of State has been in both the long distance telecommunications resale industry through its involvement in various operating capacities with Corporate Telemanagement Group, Inc. State will demonstrate that it possesses the requisite technical, financial and managerial capabilities to operate as a competitive local and long distance telecommunications service provider. These capabilities are explained in detail as follows:

1. Financial Qualifications

a. State has access to more than adequate financial resources to conduct the business it is proposing. The major shareholders as well as outside investors⁴ are willing to underwrite the operations of State until such time as State has generated sufficient positive cashflow to stand alone operationally.

b. Since State intends to initially operate as a reseller of local and long distance services, the amount of capital expenditures necessary to operate as a local and long distance company will be minimized and the company will be better able to achieve profitability faster than would ordinarily be possible.

c. State will strictly monitor its expenses, institute effective cost controls and

⁴State Communications, Inc. has recently received a private equity investment of \$750,000.00 from Serrus Ventures.

keep its selling, general and administrative ("SG&A") expenses as a percentage of gross revenues equal to if not better than the industry average.

d. As a result of the foregoing, as well as effective capital management measures State intends to implement, State expects to develop and maintain profitable growth. Thus, State asserts that it has the financial resources necessary to operate as a competitive local and long distance service provider in South Carolina.

2. Managerial Qualifications

State's senior management team is highly skilled, having acquired considerable experience in the telecommunications industry.⁵ In conjunction with effective financial and operational measures, the marketing strategies developed in successful past ventures have resulted in substantial revenue growth and financial performance. The success of the past ventures that management has been involved with is clear evidence that State possesses the managerial qualifications required to provide local and long distance service in South Carolina.

3. Technical Qualifications

a. State has also demonstrated that it possesses the technical capability to provide local and long distance service on a resale basis. The management of State has successfully participated in the operation of several interexchange carriers and resellers throughout the country over the past several years.

b. State proposes to operate as a reseller of local exchange and long distance service. Therefore, State's local and long distance traffic will be routed entirely over the networks of its underlying carriers. Consequently, the quality of service that State's customers receive will be

⁵Profiles for key management personnel are contained in Tab V, attached hereto.

at least equivalent to that provided by State's underlying carriers.

c. As the foregoing illustrates, State possesses considerable telecommunications expertise. The management of State through other successful ventures has consistently provided high quality voice and data telecommunications services to consumers. Thus, State is technically qualified to provide local exchange and long distance telecommunications service in South Carolina.

IV. Approval of State's Application is in the Public Interest

1. The introduction of competition into an industry previously monopolized results in a reduction of the prices consumers pay for goods and services. When competition is introduced into markets that are served by a single provider, the consumer benefits by way of efficient pricing, improved service quality and expanded product and service capabilities.

2. The objective of the federal Telecommunications Act of 1996 is to foster the development of competition in the local market so that consumers will be afforded the foregoing benefits. Pursuant to the Act, barriers to local service entry are prohibited and parameters for competition in local exchange markets were established. Because State will be able to offer a broad range of services to customers wherever the incumbent LECs offer appropriate wholesale tariffs, State's entry into the local service market will serve to foster competition.

3. Granting State's Application is consistent with S.C. Code Ann. § 58-9-280(B), as amended by 1996 Act No. 354, and, in this regard Applicant makes the following representations to the Commission:

- a. Applicant possesses the technical, financial, and managerial resources sufficient to provide the services requested;
- b. Applicant's local and long distance services will meet the service standards required

by the Commission;

- c. The provision of local and long distance services by Applicant will not adversely impact the availability of affordable local exchange service;
- d. Applicant, to the extent it is required to do so by the Commission, will participate in the support of universally available telephone service at affordable rates; and,
- e. The provision of local and long distance services by Applicant will not adversely impact the public interest.

4. The demands of a competitive market are a better means to achieve affordability and quality of service than a monopoly environment. As competitors vie for market share, they will compete based upon price, innovation and customer service. Those local providers that offer consumers the most cost effective products will gain market share. In contrast, local exchange providers whose products do not meet the needs of consumers will lose market share and ultimately, be eliminated from the industry.

5. Further, granting State's Application will be beneficial to classes of customers. State's intent is to offer both competitive local exchange and long distance telecommunication services throughout the State of South Carolina, rather than providing service to densely populated areas where the cost to provide service is minimal.

6. State's entry into the local exchange market will not unreasonably prejudice or disadvantage any telephone service providers. Incumbent local exchange carriers presently serve approximately 100% of the local exchange customers in South Carolina. Moreover, exchange services competition will stimulate the demand for the services supplied by all local service carriers, including those of the incumbent LECs. Thus, in competitive market, there will be increased potential

for such LECs to generate higher revenues. Additionally, in a competitive market, incumbent providers will have market incentives to improve the efficiency of their operations, thereby reducing their costs and ultimately their profit margins. Finally, it is important to recognize that in a competitive market, incumbent LECs will derive revenues from both resellers of their local exchange services, resellers of long distance service as well as facilities based competitive local exchange providers.

7. Currently, South Carolina consumers do not have a choice with regard to the provision of local exchange telecommunications service. A competitive local service market comprised of incumbents and competitive providers such as State will offer consumers a competitive option and better satisfy the needs of various market segments. In this regard, approval of this Application is clearly in the public interest.

V. Description of Services Offered and Service Territory

State expects to offer a full array of local exchange and long distance services to business customers which will be defined in greater detail later. Because State plans to provide local exchange and long distance telecommunications services on a resale basis, it cannot provide a tariff containing specific information regarding those services until final contract arrangements are made with each incumbent LEC for a commercially viable resale offer. Further, appropriate interconnection agreements must be negotiated to obtain all of the information required to prepare the tariff sheets and price lists. However, submitted with this application is a tariff which includes the long distance rates that State proposes to sell in South Carolina and estimates of the local exchange rates. Prior to providing local exchange services in South Carolina, State will make those changes to its tariff that are necessary to appropriately reflect the rates at which State will be selling.

VI. Waivers and Regulatory Compliance

State requests that the Commission grant it a waiver of those regulatory requirements inapplicable to competitive local service resellers such as State. Such rules are not appropriate or necessary for competitive providers and constitute an economic barrier to entry into the local exchange market.

1. Financial Record-Keeping System

a. State requests that it be exempt from any record-keeping rules or regulations that might require a carrier to maintain its financial records in conformance with the Uniform System of Accounts (“USOA”). The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation.

b. As a competitive carrier, State maintains its book of accounts in accordance with Generally Accepted Accounting Principles (“GAAP”). Neither the FCC, nor any Commission, have required State to maintain its records under the USOA for purposes of State’s interexchange operations.⁶ Thus, State does not possess the detailed cost data required by USOA, nor does it maintain detailed records on a state-specific basis. As a competitive provider, State’s network operations are integrated to achieve maximum efficiency. Having to maintain records pertaining specifically to its South Carolina local service operations would place an extreme burden on State.

c. Moreover, State asserts that because it utilizes GAAP, the Commission will have a reliable means by which to evaluate State’s operations. Therefore, State hereby requests to be exempt from the USOA requirements of the Commission.

⁶None of the states where State’s applications are pending for local service authority have required State to maintain its records in accordance with USOA for its local service operations.

2. **Local Exchange Directories**

State requests that it not be required to publish local exchange directories. State will make arrangements with the incumbent LECs whereby the names of State's customers will be included in the directories published by the incumbent LECs. LEC directories will also be modified to include State's customer service number. These directories will be distributed to State's customers. This approach is entirely reasonable and will have a direct benefit to the customers of both State and the incumbent LEC since they need only refer to one directory for a universal listing of customer information. It would be an unnecessary burden on State to require that it publish and distribute its own directory to all customers located within each exchange area, particularly since nearly all of these customers will be customers of the incumbent LECs. It is more efficient for State to include its limited customer list in the existing directories of the incumbent LECs.

3. **Reporting Requirements**

State further requests waivers of any reporting requirements which, although applicable to incumbent LECs, are not applicable to competitive providers such as State because such requirements: (1) are not consistent with the demands of the competitive market; or (2) they constitute an undue burden on a competitive provider, thereby requiring an inefficient allocation of its limited resources. In addition, State reserves the right to seek any regulatory waivers which may be required for State to compete effectively in South Carolina local exchange services resale market.

VII. Conclusion

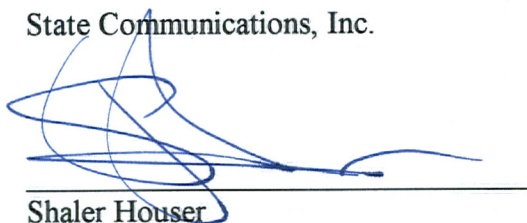
This Application demonstrates that State possesses the technical, financial and managerial resources to provide local exchange and long distance service, on a resale basis, in the State of South Carolina. Furthermore, granting this Application will promote the public interest by increasing the

level of competition in the South Carolina telecommunications market. Ultimately, competition will compel all exchanges telecommunications service providers to operate more efficiently and pass the resultant cost savings on to consumers. In addition, as a result of competition, the overall quality of local exchange and long distance service will improve.

Therefore, State Communications, Inc. respectfully petitions this Commission for authority to operate as a reseller of local exchange and long distance telecommunications services in the State of South Carolina in accordance with this Application and for such other relief as its deems necessary and appropriate.

Respectfully submitted,

State Communications, Inc.



Shaler Houser
Chief Executive Officer
State Communications, Inc.
200 North Main Street, Suite 303
Greenville, South Carolina 29601
Telephone: (864) 271-6335

TAB I

BOARD OF DIRECTORS AND MAJOR SHAREHOLDERS

DIRECTORS**OWNERSHIP PERCENTAGE**

Shaler Houser
200 N. Main Street, Suite 303
Greenville, SC 29601

32.20%

Charles L. Houser
200 N. Main Street, Suite 303
Greenville, SC 29601

32.20%

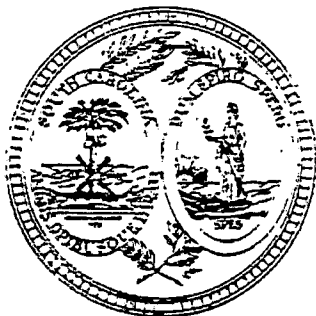
Charles S. Houser
200 N. Main Street, Suite 303
Greenville, SC 29601

32.20%

TAB II

ARTICLES OF INCORPORATION

The State of South Carolina



Office of Secretary of State Jim Miles **Certificate of Existence**

I, Jim Miles, Secretary of State of South Carolina Hereby certify that:

STATE COMMUNICATIONS, INC.,

a corporation duly organized under the laws of the State of South Carolina on **October 29th, 1997**, and having a perpetual duration unless otherwise indicated below, has as of the date hereof filed all reports due this office, paid all fees, taxes and penalties owed to the Secretary of State, that the Secretary of State has not mailed notice to the Corporation that it is subject to being dissolved by administrative action pursuant to Section 33-14-210 of the South Carolina Code, and that the corporation has not filed articles of dissolution as of the date hereof.

Given under my Hand and the Great Seal of
the State at Columbia this 30th day of
October, 1997.

A handwritten signature of Jim Miles in black ink, written over a horizontal line.

Jim Miles, Secretary of State

STATE OF SOUTH CAROLINA
SECRETARY OF STATE
ARTICLES OF INCORPORATION
FOR
STATE COMMUNICATIONS, INC.

Jim Miles											
SECRETARY OF STATE											
FILED											
OCT 29 1997											
AM						PM					
7	8	9	10	11	12	1	2	3	4	5	6

ACCEPTED FOR PROCESSING - 2019 December 17 11:46 AM - SC-PSC - 1998-129-C - Page 17 of 68

1. The name of the proposed corporation is State Communications, Inc.
2. The initial registered office of the corporation is 200 N. Main Street, Suite 301, Greenville, SC (Greenville County) 29605 and the initial registered agent at such address is Charles L. Houser.
3. The corporation is authorized to issue a single class of common shares, par value \$.001 per share and the total number of shares authorized is 20,000,000.

The Articles of Incorporation are hereby amended to authorize for issuance, 5,000,000 shares of preferred stock. The relative rights, preferences and limitations of such preferred stock shall be determined by the Company's Board of Directors in its sole discretion. The Company's Board of Directors shall have the sole authority to issue shares of such preferred stock to whomever and for whatever purposes it, in its sole discretion, deems appropriate. The Board is expressly authorized to divide such preferred shares into separate series, with each series separately designated so as to distinguish the shares thereof from the shares of all other series. Each share of each series of serial preferred stock shall have the same relative rights as and be identical in all respects with all the other shares of the same series. Among other things, the Board may designate the following variations among any of the various series of preferred stock without further action of the shareholders of the Company: (a) the distinctive serial designation and the number of shares constituting such series; (b) the dividend rate or the amount of dividends to be paid on the shares of such series, whether dividends shall be cumulative and, if so, from which date(s) the payment date(s) for dividends, and the participating or other special rights, if any, with respect to dividends; (c) the voting powers, full or limited, if any, of shares of such series; (d) whether the shares of such series shall be redeemable and, if so, the price(s) at which, and the terms and conditions on which, such shares may be redeemed; (e) the amount(s) payable upon the shares of such series in the event of voluntary or involuntary liquidation, dissolution, or winding up of the association; (f) whether the shares of such series shall be entitled to the benefit of a sinking or retirement fund to be applied to the purchase or redemption of such shares, and if so entitled, the amount of such fund and the manner of its application, including the price(s) at which such shares may be redeemed or purchased through the application of such fund; (g) whether the shares of such series shall be convertible into, or exchangeable for, shares of any other class or classes of stock of the association and, if so, the conversion price(s) or the rate(s) of exchange, and the adjustments thereof, if any, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange; (h) the price or other consideration for which the shares of such series shall be issued; and (i) whether the shares of such series which are redeemed or converted shall have the status of authorized but unissued shares of serial preferred stock and whether such shares may be reissued as shares of the same or any other series of serial preferred stock.

4. The existence of the corporation shall begin when these articles are filed with the Secretary of State.
5. The optional provisions which the corporation elects to include in the articles of incorporation are as follows: (See §33-2-102 and the applicable comments thereto; and 35-2-105 and 35-2-221 of the 1976 South Carolina Code).
 - (a) Shareholders of the Company shall not have statutory preemptive rights to purchase shares of the Company.
 - (b) Shareholders shall not be entitled to cumulate votes for directors.

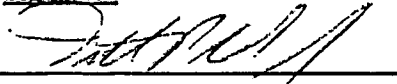
CERTIFIED TO BE A TRUE AND CORRECT COPY
AS TAKEN FROM AND COMPARED WITH THE
ORIGINAL ON FILE IN THIS OFFICE

OCT 29 1997


SECRETARY OF STATE OF SOUTH CAROLINA

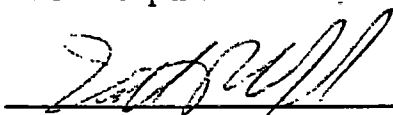
- (c) A director of the corporation shall not be personally liable to the corporation or any of its shareholders for monetary damages for breach of fiduciary duty as a director, provided that this provision shall not be deemed to eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its shareholders; (ii) for acts or omissions not in good faith or which involve gross negligence, intentional misconduct, or a knowing violation of law; (iii) imposed under Section 33-8-330 of the Act (improper distribution to shareholder); or (iv) for any transaction from which the director derived an improper personal benefit.

6. The name and address of each incorporator is as follows:

<u>Name</u>	<u>Address</u>	<u>Signature</u>
William P. Crawford, Jr.	44 East Camperdown Way Greenville, SC 29601	

7. I, William P. Crawford, Jr., an attorney licensed to practice in the State of South Carolina, certify that the above named corporation, has complied with the requirements of Section 33-2-102 of the 1976 Code of Laws of South Carolina, as amended.

October 27, 1997


 William P. Crawford, Jr., Esquire
 Wyche, Burgess, Freeman & Parham, P.A.
 44 East Camperdown Way
 Greenville, SC 29601
 (864) 242-8265

**STATE OF SOUTH CAROLINA
INITIAL ANNUAL REPORT OF CORPORATIONS**

File Number _____ Ending Period *** ****
Month Year

CL-1
(Rev. 10/88)
3134

**FILE THIS RETURN WITH ARTICLES OF INCORPORATION
OR APPLICATION FOR AUTHORITY TO DO BUSINESS**

NAME OF CORPORATION State Communications, Inc.		
ADDRESS OF CORPORATION (NUMBER AND STREET) 200 North Main Street, Suite 301		
CITY AND STATE Greenville, South Carolina	ZIP 29601	COUNTY Greenville
Date "Application for Charter" filed with Secretary of State: <u>Concurrently herewith OCT 29 1997</u> Date of "Request for authority to do business in this state" (Foreign Corp.): <u>N/A</u> IRS Employer Identification Number: Applied for Business Code:		
1. State of Incorporation: South Carolina		
2. Nature of principal business in South Carolina: telecommunications company		
3. Location of registered office of the corporation in the state of South Carolina is <u>200 North Main Street, Suite 301</u> in the city of <u>Greenville, South Carolina, 29601</u> . Registered Agent at such address is: Shaler P. Houser		
4. Location of principal office in South Carolina (street, city and county): 200 North Main Street, Suite 301, Greenville, South Carolina, Greenville County, 29601.		
5. Date business commenced in South Carolina: Not yet Telephone: (864) 233-5517		
6. The corporation's books are in the care of Shaler P. Houser located at 200 North Main Street, Suite 301, Greenville, SC 29601		
7. Indicate date corporation closes its books: December 31		
8. If a professional corporation are all shareholders, one-half of the directors (or individuals functioning as directors) and all officers (other than the secretary or treasurer) qualified to practice the professional services engaged in by the corporation?		
9. The names and business addresses of the directors (or individuals functioning as directors) and principal officers in the corporation are:		
Name	Business Address and Office	
Charles L. Houser, Director and President	200 North Main St., Suite 301, Greenville, SC 29601	
Shaler P. Houser, Director, Vice President, Sec/Treas.	200 North Main St., Suite 301, Greenville, SC 29601	
10. The total number of authorized shares of capital stock itemized by class and series, if any, within each class is as follows:		
Number of Shares	Class	Series
20,000,000	Common	N/A
5,000,000	Preferred	N/A

11. The total number of issued and outstanding shares of capital stock items by class and series, if any, within each class is as follows:		
Number of Shares	Class	Series
2,950,000	Common	N/A
1. Fee due with this report	1.	\$25.00
2. Interest due	2.	
3. Penalty due	3.	
4. Total - Fee, Interest and Penalty (Make remittance payable to SC Tax Commission)	4.	\$25.00

AFFIDAVIT

I, the undersigned, principal officer of the corporation for which this return is made, declare that this return including accompanying statements and schedules, has been examined by me and is to the best of my knowledge and belief a true and complete return made in good faith.

Wyche, Burgess, Freeman & Parham, P.A.
THIS RETURN PREPARED BY


SIGNATURE OF OFFICER
AUTHORIZED TO SIGN

10-27-97
DATE

Incipient
TITLE

TAB III

FINANCIAL INFORMATION

State Communications, Inc.
Balance Sheet
November 15, 1997

ASSETS

Cash	\$ 800,000
Property, Plant & Equipment:	
Furniture & Fixtures	-
Computer Equipment	-
	-
Accumulated Depreciation	-
Net Property, Plant & Equip	-
Other Assets	-
Total Assets	\$ 800,000

Liabilities & Shareholder's Equity

Other Liabilities	-
Total Liabilities	-
Shareholder's Equity:	
Common Stock	800,000
Retained Earnings	-
Total Shareholder's Equity	800,000
Total Liabilities & Shareholder's Equity	\$ 800,000

TAB IV

TECHNICAL CAPABILITIES

SHAY HOUSER – Chairman & CEO

Shaler Houser has almost seven years telecommunications experience specializing in research, product and corporate development, and Finance. Mr. Houser, has served in numerous capacities including Director of Product Development and Director of Business Development for Corporate Telemanagement Group, Inc. and, in various capacities with LCI International covering International Development and Carrier Sales.

Most recently, Mr. Houser co-founded and served as Senior Vice President of Seruus Ventures, a telecommunications venture capital and investment banking company.

EXPERIENCE

Mr. Houser co-founded the capital placements and strategy for Seruus Ventures, a venture capital fund for emerging telecommunications companies. Mr. Houser has overseen the investments in numerous CLEC, long distance, and other telecom organizations. Through the Seruus Advisors affiliate, Mr. Houser has been involved in dozens of telecommunications mergers and acquisitions.

From 1991 to 1995 Mr. Houser was responsible for Corporate Telemanagement Group's international sales and marketing efforts in Central America, where he was point of contact for the Central American agents. He was in charge of CTG's Carrier Sales where revenues grew over 500% in less than one year. Mr. Houser has experience in third party verified telemarketing, as he designed CTG's telemarketing system which resulted in over 5,000 new orders per month. Mr. Houser's earlier roles were in network design where he assisted in the daily maintenance of the CTG network. He also attended Bellcore training for network switching systems as well as research compilation for PCS systems.

Mr. Houser's early affiliations include co-founding, while still a student at The Citadel, Carolina Graphics and Print, a collegiate printed apparel marketing company.

EDUCATION

Mr. Houser received his Bachelor of Arts, with emphasis on Law and Criminal Justice, from The Citadel. Mr. Houser graduated with Dean's List Honors. Mr. Houser is a published author and speaker for various trade magazines (such as Phone + and X-Change) and trade shows. Most recently, Mr. Houser has authored numerous articles on telecommunications mergers and acquisitions as well as the emergence of the Competitive Local Exchange Market (CLEC).

Russell W. Powell – President

Russell Powell has seven (7) years of telecommunications experience as entrepreneur, investor, Vice President and Director of Sales for three (3) telecommunications companies. Mr. Powell served in numerous capacities with three highly regarded long distance and CLEC companies, Corporate Telemanagement Group, Inc (CTG), LCI International (LCI), and Business Telecom Inc. (BTI). Most recently, Mr. Powell served as Vice President of Sales for BTI.

EXPERIENCE

After graduating from the Citadel, Mr. Powell served as Sales Manager for Corporate Telemanagement Group (CTG) dealer sales division. Mr. Powell was responsible for recruitment of new dealers in the Western United States. Within six months, the Western Division grew to be CTG's fastest growing area. In 1993, Mr. Powell was promoted to Director of Sales and managed CTG's Southeast U.S. division. For 19 consecutive months, Mr. Powell's region ranked as the fastest growing region for CTG. In 1995, Mr. Powell was promoted to National Director of Sales for CTG and was responsible for \$60,000,000 in annual revenues. Mr. Powell managed the dealer division for CTG, having six divisions reporting to him.

In late 1995, CTG was sold to LCI International and Mr. Powell served as the director of dealer sales for the 40 state region in LCI's CT Division. Mr. Powell managed over \$70,000,000 in annual revenues for LCI. From October 1995 until August 1997, Mr. Powell's divisions ranked #1 for 22 out of 26 months. Mr. Powell received both President's Club Honors and Chairman's Club Honors for LCI International.

In September 1997, Mr. Powell became Vice President of Sales for BTI, a \$250 million long distance and CLEC provider. Mr. Powell managed approximately \$75,000,000 in annual sales for BTI and doubled monthly sales in less than two months. In December 1997, Mr. Powell accepted the role as President of State Communications, Inc.

EDUCATION

Mr. Powell is a 1991 graduate of The Military College of South Carolina (The Citadel) with a BA in Business Administration.

Charles Houser – Vice President of Business Development

Charles L. Houser, 25, has over 4 years experience in both support and sales manager roles in the telecommunications industry.

Upon graduation from the University of South Carolina, Mr. Houser began his career with Corporate Telemanagement Group, Inc. (CTG). A long distance communications company that specialized in distributor sales, Mr. Houser performed various sales functions. Mr. Houser was in charge of handling all inside sales responsibilities for CTG's Western region. While serving CTG in this capacity, the Western region became the most productive amongst the company's thirteen (13) different regions.

In September of 1995, CTG was sold to LCI International, the nations sixth largest long distance company, for over \$160 million dollars. While at LCI, Mr. Houser served as major account manager for the southeast region. Mr. Houser was responsible for generating sales off the existing customer base as well as holding attrition down to a minimum. Mr. Houser also played a instrumental role in the integration of the CTG customer base onto the LCI billing system. The CTG to LCI billing conversion lasted over one year. Mr. Houser remained at LCI in this position through September of 1997.

TITLE PAGE
OF
SOUTH CAROLINA LOCAL AND LONG DISTANCE SERVICES TARIFF
OF
STATE COMMUNICATIONS, INC.

This tariff, filed with the South Carolina Public Service Commission,
contains the rates, terms, and conditions applicable to
Local and Long Distance Services within the State of South Carolina
offered by State Communications, Inc.

ISSUED:

EFFECTIVE:

ISSUED BY: Mr. Shaler Houser, CEO
State Communications, Inc.
200 Main Street, Suite 303
Greenville, South Carolina 29601
Telephone: (864) 233-5517

CHECK SHEET

Sheets 1 through 43, inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this sheet.

<u>SHEET</u>	<u>REVISION LEVEL</u>
1	Original
2	Original
3	Original
4	Original
5	Original
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8	Original
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CHECK SHEET, CONT.

<u>SHEET</u>	<u>REVISION LEVEL</u>
25	Original
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41	Original
42	Original

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TARIFF FORMAT

Page Numbering - Page numbers appear in the upper right hand corner of the page. Pages are numbered sequentially. From time to time new pages may be added to the tariff. When a new page is added between existing pages, a decimal is added to the preceding page number. For example, a new page added between Pages 3 and 4 would be numbered 3.1.

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APPLICATION OF TARIFF

This tariff contains the regulations and rates applicable to the provision of local exchange service by State Communications, Inc. within the State of South Carolina and subject to the jurisdiction of the South Carolina Public Service Commission.

ISSUED:

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EFFECTIVE:

SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement which connects the customer's location to a Intermedia Communications Inc. switching center or point of presence.

Authorized User - A person, firm, corporation, or any other entity authorized by the Customer to communicate utilizing the Company's service.

Carrier or Company - Whenever used in this tariff, "Carrier," "Company," or "STATE" refers to State Communications, Inc. unless otherwise specified or clearly indicated by the context.

Commission - South Carolina Public Service Commission.

Customer - The person, firm, corporation, or other entity which orders, cancels, amends, or uses service and is responsible for payment of charges and compliance with the Company's tariff.

Exchange Access Line - The serving central office line equipment and all Company plant facilities up to and including the Company-provided Standard Network Interface. These facilities are Company-provided and maintained and provide access to and from the telecommunications network for message toll service and for local calling appropriate to the tariffed use offering selected by the Customer. Exchange access lines are subject to non-recurring charges, as specified in Section 4 of this tariff.

ILEC - The incumbent Local Exchange Carrier.

State Communications, Inc. - Used throughout this tariff to mean State Communications, Inc. unless clearly indicated otherwise by the text.

LEC - Local Exchange Company.

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SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS, CONT.

Local Exchange Services - Telecommunications services furnished for use by end-users in placing and receiving local telephone calls within local calling areas.

Resold Local Exchange Service - A service composed of the resale of exchange access lines and local calling provided by other authorized Local Exchange Carriers, in combination with Company-provided usage services, miscellaneous services or interstate/international services.

Station-to-Station Calling - A service whereby the originating End User requests the assistance of a Company operator to place or bill the call. Calls billed Collect or to a telephone company-issued Calling Card or to an authorized Credit Card are Operator-Station calls unless the call is placed on a Person-to-person basis. Automated Calling Card calls are not Operator-station calls. Calls may be dialed with or without the assistance of a Company operator. Collect calls to coin telephones and transfers of charges to third telephones which are coin telephones will not be accepted.

Person-to-Person Calling - An operator-assisted service whereby the person originating the call specifies a particular person to be reached, or a particular station, room number, department, or office to be reached through a PBX attendant. Charges may be billed to the called party, a third number, a credit card, a calling card or designated third party station.

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SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of State Communications, Inc.

State Communications, Inc.'s services offered pursuant to this Tariff are furnished for Local Exchange Service among specified points within a Local Calling Area. State Communications, Inc. may offer these services over its own or resold facilities.

State Communications, Inc. installs, operates, and maintains the communications services provided herein under in accordance with the terms and conditions set forth under this tariff. State Communications, Inc. may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities as required in the Commission's rules and orders, when authorized by the Customer, to allow connection of a Customer's location to the State Communications, Inc. network. The Customer shall be responsible for all charges due for such service arrangement.

The Company's services and facilities are provided on a monthly basis unless otherwise indicated, and are available twenty-four hours per day, seven days per week.

2.2 Limitations

- 2.2.1 Service is offered subject to the availability of the necessary facilities and equipment, and subject to the provisions of this tariff.
- 2.2.2 State Communications, Inc. reserves the right to discontinue or limit service when necessitated by conditions beyond its control, or when the Customer is using service in violation of provisions of this tariff, or in violation of the law.

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SECTION 2 - RULES AND REGULATIONS, CONT.**2.2 Limitations, cont.**

- 2.2.3 The Company does not undertake to transmit messages, but offers the use of its facilities when available, and will not be liable for errors in transmission or for failure to establish connections.
- 2.2.4 All facilities provided under this tariff are directly controlled by State Communications, Inc. and the Customer may not transfer or assign the use of service or facilities without the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.
- 2.2.5 Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to all such permitted assignees or transferees, as well as all conditions of service.

2.3 Use

Services provided under this tariff may be used for any lawful purpose for which the service is technically suited.

2.4 Liabilities of the Company

- 2.4.1 State Communications, Inc.'s liability for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in transmission which occur in the course of furnishing service or facilities, in no event shall exceed an amount equivalent to the proportionate charge to the Customer for the period during which the faults in transmission occur.

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SECTION 3 - DESCRIPTION OF SERVICE

2. Offices of hotels, boarding houses, apartment houses, colleges, quarters occupied by clubs and fraternal societies, public, private or parochial schools, hospitals, nursing homes, libraries, churches, and other institutions; and
3. Services terminating solely on the secretarial facilities of a telephone answering bureau.

If a Subscriber's service changes from business service to residential service, the telephone number will normally be changed. Reference of calls will not normally be provided regardless of how long existing directories will remain in effect. Changes from residential to business service may be made without change in telephone number, if the subscriber so desires.

3.2.2.A Business Exchange Line Service

Business Exchange Line Service provides a facility from a Customer's location to the State Communications, Inc. Central Office and gives the Customer the ability to complete local and long distance calls. This service provides Customer with unlimited local calling, including rotary/hunting service, at a flat monthly rate. Special rates are offered to customers who purchase this service in conjunction with State Communications, Inc.'s Business long distance products. Options available with Business Exchange Line Service include Call Waiting, Call Forwarding, Three-way Calling and Speed Dialing, as well as Class Features. Installation charges apply.

3.2.2.B Private Branch Exchange (PBX) Service

The Company's PBX Service uses PBX Trunks to connect a customer PBX system or other similar equipment to the State Communications, Inc. Central Office. Standard configurations include Local COTrunks, Direct Inward Dialing (DID), Direct

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SECTION 3 - DESCRIPTION OF SERVICE

Outward Dialing (DOD) and Combination Trunks. This service provides Customers with unlimited local calling, rotary/hunting service and Carrier Access. State Communications, Inc. treats these trunks similar to individual exchange lines and supports multi-line hunting over a group of trunks. Service is billed based on monthly usage, together with monthly recurring charges. Special rates are offered to customers who purchase this service in conjunction with State Communications, Inc.'s long distance products. Installation charges also apply.

3.2.2.C Optional Business Features**3.2.2.0.1 Direct Inward Dial (DID) Service**

DID Service is an optional feature which can be purchased in conjunction with Company-provided PBX Trunks. DID service transmits the dialed digits for all incoming calls allowing the Customer's PBX to route incoming calls directly to individual stations corresponding to each individual DID number. Charges for DID capability and DID number blocks apply in addition to charges specified for PBX Trunks. One additive charge applies for each DID-equipped PBX Trunk or channel. Customer is required to purchase at least one DID number block for each DID equipped trunk or trunk group, or DID-equipped channel or group. The Company reserves the right to limit the amount of DID numbers constituting a block of telephone numbers in a group. Blocks of number groups will be determined at the sole discretion of the Company's resources. In addition, the Company reserves the right to review vacant DID stations or stations not in use to determine efficient telephone number utilization. Should the Company determine, based on its own discretion, that there is inefficient number utilization, the Company may reassign the DID numbers.

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SECTION 3 - DESCRIPTION OF SERVICE, CONT.**3.2 Product Descriptions, cont.****3.2.2 State Communications, Inc. Business Services, cont.****3.2.2.C Optional Business Features, cont.****3.2.2.0.1 Direct Inward Dial (DID) Service, cont.**

The Customer has no property rights to the telephone number or any other call number destination associated with DID service furnished by the Company, and no right to the continuance of service through any particular end office. The Company reserves the right to change such numbers, or the end office designation associated with such numbers, or both, assigned to the Customer, whenever the company deems it necessary to do so in the conduct of its business.

3.2.3 Directory Listings

For each Customer of State Communications, Inc.'s Exchange Access Service(s), the Company shall arrange for the listing of the Customer's main billing telephone number in the directory(ies) published by the dominant Local Exchange Carrier in the area at no additional charge. At a Customer's option, the Company will arrange for additional listings at an additional charge.

3.2.4 Operator-Assisted Services

Operator-assisted services are provided to Business and Residential Customers on a presubscribed basis. Services are also provided to Customers and Users of exchange access lines which are presubscribed to the Company's interexchange outbound calling services. Various billing

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SECTION 3 - DESCRIPTION OF SERVICE

arrangements are available with State Communications, Inc.'s operator-assisted service including Calling Card, Commercial Credit Card, Collect, Person-to-Person and Third Party. Monthly and/or usage-sensitive charges apply as stated in Section 4, as well as per call operator charges.

3.2.4.A Operator Dialed Surcharge

This surcharge applies to Operator Station and Person-to-Person rated calls when the Customer has the capability of dialing all the digits necessary to complete a call, but elects to dial only the appropriate operator code and requests the operator to dial the called station. The surcharge does not apply to:

- 1) Calls where a Customer cannot otherwise dial the call due to defective equipment or trouble on the State Communications, Inc. network; and
- 2) Calls in which a Company operator places a call for a calling party who is identified as being handicapped and unable to dial the call because of his/her handicap.

The Operator Dialed Surcharge applies in addition to any other applicable operator charges.

3.2.4.B Busy Line Verify and Line Interrupt Service

Upon request of a calling party, the Company will verify a busy condition on a called line. The operator will determine whether the line is clear or in use and report its status to the calling party. The operator will interrupt the call on the called line only if the calling party indicates an emergency and requests interruption.

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SECTION 3 - DESCRIPTION OF SERVICE, CONT.

3.2 Product Descriptions, cont.

3.2.4 Operator-Assisted Services, cont.

3.2.4.B Busy Line Verify and Line Interrupt service, cont.

A charge will apply when:

1. The operator verifies that the line is busy with a call in progress;
2. The operator verifies that the line is unavailable for incoming calls; or
3. The operator verifies that the called number is busy with a call in progress and the customer requests interruption. The operator will then interrupt the call, advising the called party of the name of the calling party. One charge will apply for both verification and interruption.

No charge will apply when:

1. The calling party advises that the call is to or from an official public emergency agency; or
2. Under conditions other than the three stated above. Busy Verification and Interrupt service is furnished where and to the extent that facilities permit. The Customer shall indemnify and hold the Company harmless against all claims that may arise from either party to the interrupted call or any person.

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SECTION 3 - DESCRIPTION OF SERVICE, CONT.**3.2 Product Descriptions, cont.****3.2.5 Directory Assistance**

Customers and users of the Company's business and residential calling services (excluding Toll Free services) may obtain directory assistance in determining telephone numbers within the state by calling the Directory Assistance operator.

Call allowances are as stated below:

1. Business customers using directory assistance will receive 10 free calls per line or PBX trunk line per month.
2. Customers with Centrex main station lines will receive 10 free calls per equivalent number of PBX trunks. The number of equivalent PBX trunks is determined in accordance with the PBX Table below:

<u>Number of Main Station Lines</u>	<u>Equivalent PBX Trunks</u>	<u>Number of Main Station Lines</u>	<u>Equivalent PBX Trunks</u>
1	1	87 - 98	15
2	2	99 - 111	16
3	3	112 - 125	17
4 - 6	4	126 - 139	18
7 - 10	5	140 - 155	19
11 - 15	6	156 - 171	20
16 - 21	7	172 - 189	21
22 - 28	8	190 - 207	22
29 - 36	9	208 - 225	23
37 - 45	10	226 - 243	24

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SECTION 3 - DESCRIPTION OF SERVICE

46 - 54	11	244 - 262	25
55 - 64	12	263 - 281	26
65 - 75	13	282 - 300	27
76 - 86	14	*	

- * Each additional 18 main station lines or fraction thereof equal to one PBX trunk.

A credit will be given for calls to Directory Assistance when:

1. The Customer experiences poor transmission or is cut-off during the call,
2. The Customer is given an incorrect telephone number, or
3. The Customer inadvertently misdials an incorrect Directory Assistance NPA.

To receive a credit, the customer must notify the Company operator or Business Office of the problem experienced.

Exemptions

1. Residential Customers are exempt from Directory Assistance charges under the following circumstances:
2. The single-line main telephone exchange line of a handicapped user, as defined by the Federal Register, Vol. 35 #126, which has been registered with the Company will be exempt from Directory Assistance charges.

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SECTION 3 - DESCRIPTION OF SERVICE

3. Directory Assistance attempts to telephone numbers which are non-listed or non-listed and non-published are exempt from the rate, and shall not be included in the ten call allowance.

3.2.6 Extended and Expanded Area Calling Services

Extended and Expanded Area Calling Service allows the Customer to make calls to specific NXX codes within designated exchanges outside the Customer's Local Calling area without paying intraLATA toll rates. The Customer is billed per call according to the duration of the call. State Communications, Inc. will mirror all existing extended and expanded calling areas the ILEC currently has in place for facilities-based or resold services.

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SECTION 4 - RATES**4.1 Long Distance Service Rates**

- A. Rate Plan 1 (Business customers utilizing between \$0 and \$250.00 in monthly usage).
1. Rate per minute .099 (day, evening, night)
 2. No monthly fee
 3. Billed in full minute increments rounded to the next full minute.
 4. Calling card - .25 per minute. No surcharge.
- B. Rate Plan 2 (Business customers utilizing between \$251.00 plus in monthly usage).
1. Rate per minute - .089 (day, evening night)
 2. Monthly recurring fee - \$4.96 (regardless of usage)
 3. Billed in full minute increments rounded to the next full minute.
 4. Calling card - .25 cents per minute. No surcharge.
- C. Rate Plan 3 (Residential customers utilizing between \$0 - \$250.00 in monthly usage).
1. Rate per minute - .135 (day, evening, night)
 2. No monthly fee
 3. Billed in full increments rounded to the next full minute.
 4. Calling card - .25 cents per minute. No surcharge.
- D. Rate Plan 4 (Residential customers utilizing between \$250.00 plus in monthly usage).
1. Rate per minute - .099 (day, evening, night)
 2. Monthly recurring fee - \$2.00 (regardless of usage)
 3. Billed in full minute increments rounded to the next full minute.
 4. Calling card - .25 cents per minute. No surcharge

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SECTION 4 - RATES, CONT.**4.2 Local Service Rates**

- A. General - State is presently reselling the services of BellSouth. The descriptions of local products and services offered by State will mirror those of BellSouth and only be available in BellSouth Service Territory. The rates for the services and products provided by State will be placed at a discount off the standard products and services offered by BellSouth.

B. Flat Rate Main Station Line Monthly Recurring Rate

1.	Rate Group 1	\$13.02
2.	Rate Group 2	\$13.44
3.	Rate Group 3	\$13.87
4.	Rate Group 4	\$14.30
5.	Rate Group 5	\$14.73
6.	Rate Group 6	\$15.15
7.	Rate Group 7	\$15.58

C. Area Plus Service Monthly Recurring Rate

1.	Per line	\$ 7.60	
2.	Per line, w/ complete choice Opt.	\$47.50	
3.	Usage, basic service area		\$0.02 per minute
4.	Usage, expanded service area (50% discount 8pm-8am pursuant to Bell South tariffs)		\$0.11 per minute
5.	Usage - flat rate per line option	\$28.50	

- D. Complete Choice
 Individual Line \$32.30
 (Unlimited use of custom calling services
 - includes flat rate line charge)

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SECTION 4 - RATES, CONT.

E.	Local operator Services	Per Call
1.	Customer Dialed Calling Card	\$0.34
2.	Station collect, 3 rd Number	\$0.80
3.	Person-to-Person	\$1.94
4.	Verification charge	\$0.40
5.	Verification & interruption charge	\$0.46
F.	Directory Assistance	Per Call
1.	Within local calling area	\$0.38
2.	Outside of local calling area	\$0.81
G.	Touchtone	
1.	Per line	\$0.00
H.	Custom Calling Services	Monthly Recurring Rate
1.	Call Waiting	\$4.18
2.	Call Forwarding Variable	\$3.80
3.	Three-way calling	\$3.80
4.	Speed calling (8 code)	\$3.33
5.	Speed calling (30 code)	\$4.28
6.	Call Forwarding Busy line	\$0.95
7.	Call Forwarding Don't Answer	\$0.95
8.	Customer Control of CF Busy Line	\$2.85
9.	Customer Control of CF Don't Answer	\$2.85
10.	Call Forwarding Busy Line Multipath or Customer control of CF BL Multipath	\$1.90
11.	Call Forwarding Don't Answer Multipath or Customer control of CF DA Multipath	\$1.90
12.	Call Forwarding Variable Multipath	\$2.85
13.	Remote Access Call Forward Variable	\$6.46
14.	Call Forwarding Don't Ans Ring Cont	\$0.95
15.	Call Waiting Deluxe	\$5.70

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SECTION 4 - RATES, CONT.

	Monthly Recurring Rate
16. Flexible Call Forwarding	
a. Flexible Call Forwarding	\$4.75
b. Flex CF w/ Audio Calling name	\$6.65
c. Flex CF Plus	\$6.65
d. Flex CF Plus w/ AC name	\$8.55
17. Remote Call Forwarding	
a. Per feature arranged for 1 access path	\$15.20
b. Additional access path	\$15.20
18. Three Way Calling	\$0.71 (per use)
19. Call Return	\$ 3.80
20. Call Return	\$0.71 (per activation)
21. Repeat Dialing	\$ 3.99
22. Repeat Dialing	\$0.71 (per activation)
23. Call Selector	\$ 3.99
24. Preferred call forwarding	\$ 3.99
25. Call Block	\$ 3.99
26. Call Tracing	\$ 3.99
27. Caller ID basic	\$ 6.65
28. Caller ID deluxe	\$ 7.13
29. Anonymous Call Rejection	\$ 2.85
30. Call Screening	
a. Block LD calls, billing to line etc. Per line	\$ 1.25
b. Customized restriction of 1+, 0+, 0-, 976, 900, etc.	\$ 2.85
31. Ring select	
a. Select I	\$3.80
b. Select II	\$5.70
32. Memory Call	\$3.75
33. Inside Wire	\$2.85

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SECTION 4 - RATES, CONT.**4.3 Non-Recurring Installation Rates**

A.	Line Connection Charge	Non Recurring Rate
1.	First Line	\$38.00
2.	Each additional line	\$17.10
B.	Line Change Charge	
1.	First Line	\$21.38
2.	Each additional line	\$14.25
C.	Secondary Service Charge	
1.	Per customer request (Applies for adding or rearranging custom calling features)	\$ 4.99
D.	Remote Call Forwarding	\$ 4.99
E.	PIC Charges	
1.	Interstate	\$ 4.00
2.	Intralata	\$ 4.00

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SECTION 5 - BILLING CONTENTS

5.1 State Communications, Inc. Billing Contents

State Communications, Inc.'s customer bills contain the following information:

- Name and address of Company
 - Address for Correspondence
 - Address for Remittance
- Customer Service/Billing Inquiry toll-free telephone number
- Name and address of Customer
- Bill Date
- All Account Numbers
- Invoice Number
- Summary of Charges
- Detail of Charges

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SECTION 6 - SPECIAL SERVICE ARRANGEMENTS**6.1 Individual Case Basis Arrangements**

Arrangements will be developed on a case-by-case basis in response to a bona fide special request from a Customer or prospective Customer to develop a competitive bid for a service not generally available under this tariff. State Communications, Inc. rates will be offered to the Customer in writing and on a non-discriminatory basis. All such rates will be submitted to the Commission for approval.

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SECTION 2 - RULES AND REGULATIONS, CONT.

2.4 Liabilities of Company, cont.

- 2.4.2 The Company shall not be liable for claim or loss, expense or damage (including indirect, special or consequential damage), for any interruption, delay, error, omission, or defect in any service, facility, or transmission provided under this tariff, if caused by any person or entity other than the Company, by any malfunction of any service or facility provided by any other carrier, by an act of God, fire, war, civil disturbance, or act of government, or by any other cause beyond the Company's direct control.
- 2.4.3 The Company shall not be liable for, and shall be fully indemnified and held harmless by Customer against any claim or loss, expense, or damage (including indirect, special or consequential damage) for defamation, libel, slander, invasion, infringement of copy-right or patent, unauthorized use of any trademark, trade name, or service mark, unfair competition, interference with or misappropriation or violation of any contract, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data, information, or other content revealed to, transmitted, or used by the Company under this tariff; or for any act or omission of the Customer; or for any personal injury or death of any person caused directly or indirectly by the installation, maintenance, location, condition, operation, failure, presence, use or removal of equipment or wiring provided by the Company, if not directly caused by negligence of the Company.
- 2.4.4 No agent or employee of any other carrier shall be deemed to be an agent or employee of the Company.

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SECTION 2 - RULES AND REGULATIONS, CONT.**2.4 Liabilities of Company, cont.**

2.4.5 The Company shall not be liable for any defacement of or damages to the premises of a Customer resulting from the furnishing of service which is not the direct result of the Company's negligence.

2.5 Deposits

2.5.1 The Company does not normally collect deposits from Customers. However, deposits may be required from Customers whose credit history is unacceptable or unavailable. Deposits are collected in accordance with the rules of the Commission.

2.6 Advance Payments

Recurring Charges: Customers from whom the Company feels an advance payment is necessary, State Communications, Inc. reserves the right to collect an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges and a new advance payment may be collected for the next month.

Non-Recurring Charges: State Communications, Inc. reserves the right to require pre-payment of non-recurring charges in such amount as may be deemed necessary by the Company. In addition, where special construction is involved, advance payment of the quoted construction charges may be required at the time of application for service.

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SECTION 2 - RULES AND REGULATIONS, CONT.**2.7 Taxes**

All state and local taxes (including but not limited to franchise fees, excise tax, sales tax, municipal utilities tax) are listed as separate line items and are not included in the quoted rates.

2.8 Equipment

2.8.1 The Company's facilities and service may be used with or terminated in Customer-provided terminal equipment or Customer-provided communications systems, such as a PBX, key systems or Pay Telephone. Such terminal equipment shall be furnished and maintained at the expense of the Customer, except as otherwise provided. The Customer is responsible for all costs at his or her remises, including personnel, wiring, electrical power, and the like, incurred in the use of the Company's service. The Customer is responsible for ensuring that customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities.

2.8.2 The Company shall use reasonable efforts to maintain facilities and equipment that it furnishes to the Customer. The Customer may not, nor may the Customer permit others, to disconnect, rearrange, remove, attempt to repair or otherwise interfere with any of the facilities or equipment installed by the Company, except upon the written consent of the Company.

2.8.3 Equipment the Company provides or installs at the Customer premises for use in connection with services the Company offers shall not be used for any purpose other than that for which the Company provided it.

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SECTION 2 - RULES AND REGULATIONS, CONT.

- 2.8.4 The Customer shall be responsible for payment of service charges, as set forth herein, for visits by the Company's agents or employees to the premises of the Customer when the service difficulty or trouble report results from the use of equipment or facilities provided by any party other than the Company, including but not limited to the Customer.
- 2.8.5 The Company shall not be responsible for the installation, operation or maintenance of any customer-provided equipment. Where such equipment is connected to the facilities furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this tariff and to the maintenance and operation of such facilities. Subject to this responsibility, the Company shall not be responsible for the transmission of signals by customer-provided equipment or for the quality of, or defects in, such transmission; or the reception of signals by customer-provided equipment.
- 2.8.6 Upon reasonable notification to the Customer and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the customer is complying with the requirements set forth in the section for the installation, operation and maintenance of customer-provided facilities, equipment and wiring in the connection of such facilities and equipment to Company-provided facilities and equipment.
- 2.8.7 Title to all facilities provided by the Company under this tariff shall remain in the Company's name or in the name of the carrier supplying the services and facilities being resold.

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SECTION 2 - RULES AND REGULATIONS, CONT.**2.9 Installation**

Service is installed upon mutual agreement between the Customer and the Company. The service agreement does not alter rates specified in this tariff.

2.10 Payment for Service

The Customer is responsible for payment of all charges for services and equipment furnished to the Customer or to an Authorized User of the Customer by State Communications, Inc.. All charges due by the Customer are payable to the Company or to any agency duly authorized to receive such payments. Terms of payment shall be according to the rules and regulations of the agency and subject to the rules of regulatory agencies, such as the South Carolina Public Service Commission.

2.10 Payment for Service, cont.

State Communications, Inc. billing invoices will be considered correct and binding upon the Customer if no written notice is received from the Customer within thirty (30) days of the date of the invoice. Adjustments to Customer's bills shall be made to the extent circumstances exist which reasonably indicate that such changes are appropriate. Upon receipt of a billing inquiry, charges involved in the disputed element(s) of the invoice will be temporarily suspended pending resolution of the dispute. The Customer, however, remains responsible for the timely payment of the non-disputed elements of the invoice. If a Customer is not satisfied with the Company's response to an inquiry or request for credit, he or she may appeal to the South Carolina Public Service Commission for final resolution.

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SECTION 2 - RULES AND REGULATIONS, CONT.**2.11 Late Payment Charge**

State Communications, Inc. will assess a late payment charge equal to 1.5% for any past due balance that exceeds thirty days. A late payment penalty may be assessed only once on any bill for rendered services.

2.12 Cancellation by Customer

Customer may cancel service by providing 30 days written notice to the Company.

2.13 Interconnection

Service furnished by State Communications, Inc. may be connected with the services or facilities of other carriers or enhanced service providers. The Customer is responsible for all charges billed by these entities for use in connection with State Communications, Inc.'s service. Any special interface equipment or facilities necessary to achieve compatibility between these entities is the responsibility of the Customer. Neither the Company nor any connecting carrier participating in a service shall be liable for any act or omission of any other company or companies furnishing a portion of such service.

2.14 Refusal or Discontinuance by Company

State Communications, Inc. may refuse or discontinue service under the following conditions provided that, unless otherwise stated, the Customer shall be given proper notification in accordance with the Commission rules.

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SECTION 2 - RULES AND REGULATIONS, CONT.

- 2.14.1 For non-compliance with or violation of any State, municipal, or Federal law, ordinance or regulation pertaining to telephone service.
- 2.14.2 For use of telephone service for any other property or purpose than that described in the application.
- 2.14.3 For neglect or refusal to provide reasonable access to State Communications, Inc. or its agents for the purpose of inspection and maintenance of equipment owned by State Communications, Inc. or its agents.
- 2.14.4 For noncompliance with or violation of Commission regulation or State Communications, Inc.'s rules and regulations on file with the Commission, provided ten days written notice is given before termination.
- 2.14.5 For nonpayment of bills, including bills for any of the Company's other communication services, provided that suspension or termination of service shall not be made without seven days written notice to the Customer, except in extreme cases.
- 2.14.6 Without notice in the event of Customer or Authorized User use of equipment in such a manner as to adversely affect State Communications, Inc.'s equipment or service to others. Within twenty-four (24) hours after such termination, the utility shall send written notification to the customer of the reasons for termination or refusal of service upon which the utility relies, and of the customer's right to challenge the termination by filing a formal complaint with the Commission.

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SECTION 2 - RULES AND REGULATIONS, CONT.

- 2.14.7 Without notice in the event of tampering with the equipment or services owned by State Communications, Inc. or its agents. Within twenty-four (24) hours after such termination, the utility shall send written notification to the customer of the reasons for termination or refusal of service upon which the utility relies, and of the customer's right to challenge the termination by filing a formal complaint with the Commission.
- 2.14.8 Without notice in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, State Communications, Inc. may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenues resulting from such fraudulent use. Within twenty-four (24) hours after such termination, the utility shall send written notification to the customer of the reasons for termination or refusal of service upon which the utility relies, and of the customer's right to challenge the termination by filing a formal complaint with the Commission.
- 2.14.9 Without notice by reason of any order or decision of a court or other government authority having jurisdiction which prohibits Company from furnishing such services.

2.15 Inspection, Testing, and Adjustment

Upon reasonable notice, the facilities provided by the Company shall be made available to the Company for tests and adjustments as may be deemed necessary by the Company for maintenance. No interruption allowance will be granted for the time during which such tests and adjustments are made.

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SECTION 2 - RULES AND REGULATIONS, CONT.**2.16 Tests, Pilots, Promotional Campaigns and Contests**

The Company may conduct special tests or pilot programs and promotions at its discretion to demonstrate the ease of use, quality of service and to promote the sale of its services. The Company may also waive a portion or all processing fees or installation fees for winners of contests and other occasional promotional events sponsored or endorsed by the Company. From time to time, the Company may waive all processing fees for a Customer. The Company will notify the Commission regarding specific promotions and contests.

2.17 Interruption of Service

Credit allowances for interruptions of service which are not due to the Company's testing or adjusting, to the negligence of the Customer, or to the failure of channels, equipment or communications Systems provided by the Customer, are subject to the general liability provisions set forth in Section 2.4 herein. It shall be the obligation of the Customer to notify Company immediately of any interruption in service for which a credit allowance is desired by Customer. Before giving such notice, Customer shall ascertain that the trouble is not within his or her control, or is not in wiring or equipment, if any, furnished by Customer and connected to Company's terminal. Interruptions caused by Customer-provided or Company-provided automatic dialing equipment are not deemed an interruption of service as defined herein since the Customer has the option of using the long distance network via local exchange company access.

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SECTION 2 - RULES AND REGULATIONS, CONT.**2.18 Cost of Collection and Repair**

The Customer is responsible for any and all costs incurred in the collection of monies due the Carrier including legal and accounting expenses. Customer is also responsible for recovery costs of Carrier-provided equipment and any expenses required for repair or replacement of damaged equipment.

2.19 Returned Check Charges

A fee of \$20.00, or five percent of the amount of the check, whichever is greater, may be charged for each check returned for insufficient funds.

2.20 Service Implementation

Absent a promotional offering, service implementation charges of \$10.00 per service order will apply to new service order or to orders to change existing service for the business services listed in Section 3.

2.21 Reconnection Charge

A reconnection fee of \$40.00 per occurrence may be charged when service is re-established for customers who have been disconnected for non-payment, and is payable at the time that the restoration of suspended service and facilities is arranged.

2.22 Operator Service Rules

The Company will enforce the operator service rules specified by the Commission and by the FCC.

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SECTION 2 - RULES AND REGULATIONS, CONT.**2.23 Access to Telephone Relay Services**

Where required by the Commission, the Company will participate in telephone relay services for handicapped and/or hearing impaired end users, and will comply with all regulations and requirements. The Company shall impose any monthly surcharge or any other related charge upon its local exchange telecommunications subscribers as may be required by state law.

2.24 Access to Carrier of Choice

End users of the Company's local service shall have the right to select the interexchange telecommunications service provider (IC) of their choice. The IC should request confirmations/verifications of choice from its customers no later than the date of submission of its first bill to the customer. State Communications, Inc. should maintain signed letters of agency or confirmations of choice on file for use in dispute resolution.

2.25 Directory Listings

- 2.25.1 The Company does not publish a directory of subscriber listings. The Company, however, does arrange for the Customer's main billing number to be placed in the directory or directories of the dominant local exchange carrier.
- 2.25.2 The rates and regulations specified herein for directory listings apply only to the alphabetical section of the directory. Listings are intended solely for the purpose of identifying subscriber's telephone number and as an aid to the use of telephone service.

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- 2.25.3 The listings of subscribers, either without charge or at the rate specified within this tariff for other listings are arranged alphabetically and are not intended for special prominence of arrangement. In accepting listings as requested by subscribers or prospective subscribers, the Company will not be a party to controversies between subscribers as result of the publication of such listings in the directories.
- 2.25.4 Listings must conform to the Company's specifications with respect to the directories. The Company reserves the right to reject listings when in, its sole judgment, such listings would violate the integrity of company records and the directories, confuse individuals using the directory, or when the customer cannot provide satisfactory evidence that he is authorized to do business as requested.
- 2.25.5 The Company reserves the right to limit the length of any listing to one line in the directory by use of abbreviations when, in its sole judgment, the clearness of the listing and the identification of the subscriber is not impaired.
- 2.25.6 Generally, the listed address is the location of the subscriber's place of business or residence.
- 2.25.7 Liability of the Company due to directory errors and omissions is as specified in Section 2 of this tariff.

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2.25.8 Generally, a business listing consists of a name or dual name, a designation descriptive of the subscriber's business if not self-explanatory, the address, and the business telephone number. The main listing is ordinarily the name of the individual, firm or corporation which contracts for the service or the name under which a business is regularly conducted.

2.26 Special Construction

Subject to the agreement of the Company and to all of the regulations contained in this tariff, special construction of facilities may be undertaken on a reasonable efforts basis at the request of the Customer. Special construction is construction undertaken:

- A) where facilities are not presently available, and there is no other requirement for the facilities so constructed;
- B) of a type other than that which the Company would "normally" utilize in the furnishing of its services;
- C) over a route other than that which the Company would normally utilize in the furnishing of its services;
- D) in a quantity greater than that which the Company would normally construct;
- E) on an expedited basis;
- F) on a temporary basis until permanent facilities are available;
- G) involving abnormal costs; or

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SECTION 2 - RULES AND REGULATIONS, CONT.

H) in advance of its normal construction.

2.27 Universal Emergency Telephone Number Service (911, E911)

- 2.27.1 This tariff does not provide for the inspection or constant monitoring of facilities to discover errors, defects, or malfunctions in the service, nor does the Company undertake such responsibility.
- 2.27.2 911 information consisting of the names, addresses and telephone numbers of all telephone customers is confidential. The Company will release such information via the Data Management System only after a 911 call has been received, on a call by call basis, only for the purpose of responding to an emergency call in progress.
- 2.27.3 The 911 calling party, by dialing 911, waives the privacy afforded by non-listed and non-published service to the extent that the telephone number, name, and address associated with the originating station location are furnished to the Public Safety Answering Point.
- 2.27.4 After the establishment of service, it is the Public Safety Agency's responsibility to continue to verify the accuracy of and to advise the Company of any changes as they occur in street names, establishment of new streets, changes in address numbers used on existing streets, closing and abandonment of streets, changes in police, fire, ambulance or other appropriate agencies' jurisdiction over any address, annexations and other changes in municipal and county boundaries, incorporation of new cities or any other similar

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SECTION 2 - RULES AND REGULATIONS, CONT.

matter that may affect the routing of 911 calls to the proper Public Safety Answering Point.

- 2.27.5 The Company assumes no liability for any infringement, or invasion of any right of privacy of any person or persons caused, or claimed to be caused, directly or indirectly by the use of 911 Service. Under the terms of this tariff, the Public Safety Agency must agree, (except where the events, incidents, or eventualities set forth in this sentence are the result of the Company's gross negligence or willful misconduct), to release, indemnify, defend and hold harmless the Company from any and all losses or claims whatsoever, whether suffered, made, instituted, or asserted by the Public Safety Agency or by any other party or person, for any personal injury to or death of any person or persons, or for any loss, damage, or destruction of any property, whether owned by the customer or others. Under the terms of this tariff, the Public Safety Agency must also agree to release, indemnify, defend and hold harmless the Company for any infringement of invasion of the right of privacy of any person or persons, caused or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, occasion, or use of 911 Service features and the equipment associated therewith, or by any services furnished by the Company in connection therewith, including, but not limited to, the identification of the telephone number, address, or name associated with the telephone used by the party or parties accessing 911 Service hereunder, and which arise out of the negligence or other wrongful act of the Public Safety Agency, its user, agencies or municipalities, or
- 2.27.5

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the employees or agents of any one of them, or which arise out of the negligence, other than gross negligence or willful misconduct, of the Company, its employees or agents.

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SECTION 3 - DESCRIPTION OF SERVICE

3.1 Local Service Areas

State Communications, Inc. will provide Local Exchange Service in the entire State of South Carolina.

3.2 Product Descriptions

3.2.1 Timing of Calls - Usage-Sensitive Products

3.2.1.A Usage charges for usage-sensitive products are based on the actual usage of State Communications, Inc.'s network. The Company will determine that a call has been established by signal from the local telephone Company.

3.2.1.B Minimum billed call duration and billing increments differ from product to product. Product specific information is included in Section 4 of the Rate Schedules.

3.2.1.C Usage is measured and rounded to the next higher billing increment for billing purposes.

3.2.1.D There is no usage-based billing applied for incomplete calls.

3.2.2 State Communications, Inc. Business Services

State Communications, Inc.'s Business Services are offered for local calling using the facilities of State Communications, Inc. and/or those of other authorized Local Exchange Carriers. State Communications, Inc.'s Business Services are offered primarily to the following:

1. Offices, stores, factories, mines and all other places of a strictly business nature;

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